

September 18, 2014
Burlington Employees' Retirement Board
City Hall, Conference Room 12

Board Members Present: Jim Strouse Robert Hooper
 Munir Kasti Bob Rusten
 Daniel Gilligan Matt Dow
 Jeff Wick (9:50am) Benjamin O'Brien (via phone)

Others Present: Susan Leonard (SL)
 Stephanie Hanker (SH)
 Kimberly Sturtevant
 Matt Considine (VPIC, State of Vermont)
 Steve Wisloski (VPIC, State of Vermont)
 Barry Bryant, Dahab Associates

JS convened the meeting at 9:00am

1. **Agenda:**

JS stated no changes to the agenda.

Bob Hooper moved to approve agenda as presented, Munir Kasti 2nd. Motion carries 8:0

2. **Presentation – Barry Bryant Dahab Associates:**

Barry Bryant provided a handout, VPIC Comparison Alternative (available on our website). Barry Bryant stated BERS has been with VPIC almost seven years and there has been intense scrutiny as to stay with VPIC or not since the beginning. Barry Bryant stated he had previously advised the Board to hold off making this decision after the fifth year until a completion of a full market cycle. Barry Bryant advised the Board he felt the Board should now make the decision to either commit to VPIC or withdraw. Barry Bryant went through the analysis he prepared, he stated the first page is a table with the Burlington VPIC record and comparisons to six alternatives. The second page contains arguments relating to performance factors, the third page contains arguments relating to non-performance factors. Barry Bryant stated in regards to performance, the question is not what VPIC has done in the past, but what is likely to do in the future compared with alternatives. Barry Bryant stated if the Board decided to withdraw from VPIC the Board would need to be committed, you can not be late or not show up to meetings. Barry also stated that cost must be considered as well. Bob Rusten asked what the cost would be if the Board did withdraw, ballpark. Barry Bryant stated he has done an analysis and feels that if the Board goes with an independent portfolio, created in the manner as he has discussed with Board previously, the cost would be comparable to VPIC. Barry Bryant stated that

he estimates the all-in cost of the current investment program at \$780,000, but if the Board agreed to go with the recommended portfolio, the all-in cost would depend on the extent to which the board employed low-cost index for the equity allocation. Barry Bryant stated that if we went with all indexed funds it would be roughly, \$570,000, if active management for foreign equity, with roughly 40%, it would be around \$840,000 and if active management for all the cost would be roughly \$1,075,000. Barry Bryant stated if the Board went with index funds for the entire portfolio he believed the cost could be below \$350,000, and if the Board waited for the current alternative portfolios to roll off over time he believes this would further be reduced by another \$100,000. Barry Bryant stated that there are other advantages to be considered that VPIC provides to the Board, one being political coverage, as they take the blame for the market, keep in mind if the Board withdraws, and the market is bad or the portfolio does worse than VPIC then the Board is to blame. Bob Hooper stated that the Board deals in more depth than BERS. Barry Bryant stated that VPIC also has support from other agencies in the State, for example the AG's Office is involved in all contracts. Bob Hooper stated there are other corporations that are hired to deal with just finding lawsuits through database searching for class action suits. Bob Hooper stated there is potential for a lot of expenses the Board is not thinking about. Jeff Wick asked if these services are incurred with VPIC currently. Bob Hooper stated these were included in the current fees. Barry Bryant stated that we don't know *all* of the costs. Bob Hooper stated the Board needs to make sure to look at the costs while it is on the table. Barry Bryant stated that this is something that needs to be considered ahead of time. Bob Rusten asked to first talk about the rate of return. Steve Wisloski stated that he was there speaking as staff, not on behalf of VPIC, as it is not appropriate to sit in on this meeting as VPIC, but he is here to answer tactical questions. Steve Wisloski stated VPIC has three FTE's, the AG's Office has three staff members that handle managing VPIC issues 95% of their time. Bob Rusten stated that since they are not advocating for BERS to stay with VPIC, do they care. Steve Wisloski asked does that matter. Bob Rusten stated yes. Steve Wisloski stated he did not know why that is relevant to their decision, really this is Burlington's decision, that if there are reasonable rationales that makes sense then he doesn't feel that it should be relevant. Bob Hooper stated that "care" is an insensitive word, wording it, would there be an impact on VPIC if BERS were to go. Steve Wisloski stated that BERS is treated exactly the same as anyone that is a participant in the fund, but your option is to participate in a fund of around 4 billion or 150 million, but to keep in mind you have a fiduciary responsibility for your fund. Barry Bryant stated he feels VPIC has always treated BERS as if they wanted them to stay. Barry Bryant stated if BERS did decide to leave it would only be because we have divergent goals. Jeff Wick stated he felt the VPIC portfolio is too complex to understand and feels the Board should keep it simple. Steve Wisloski stated that it would be helpful to the Board if they attended a VPIC meeting. Munir Kasti asked if VPIC was happy with the current returns and if they were considering

making changes to improve returns. Matt Considine stated there were no specific considerations, but it is always part of the agenda cycle, it is always on the table, the required rate of return is just under 8% and the numbers have been met. Jim Strouse stated there is more work to be done and making sure there is enough staff is significant. Bob Rusten stated he felt further discussions should be done at a special meeting, and the discussions would be more appropriate if done in executive session. Bob Rusten stated the Board could also look at issues brought by the Retirement Committee. October 2 was set as a Special Meeting of the Retirement Board.

3. **Approval of Minutes 08/21/2014:**

Jeff Wick moved to approve the minutes as presented. Matt Dow 2nd. Motion carries 8:0

4. **Approval of Bills**

Bob Rusten moved to approve the bills as presented. Daniel Gilligan 2nd. Bob Hooper moved to amend the motion to state the previously approved \$3000 be approved to be paid from Retirement for work provided by Buck to both the Retirement Committee and the Retirement Board. Matt Dow 2nd. Motion carries 8:0

5. **Other Business:**

Jim Strouse stated Martin Currie has asked for a proxy vote for the sale of Martin Currie. Bob Rusten moved to vote yes. Jeff Wick 2nd. Motion carries 8:0

Bob Hooper asked the Board for approval to attend a conference on Indexing in Arizona, and there would be no cost to the Board, VPIC would pay. Bob Hooper also asked for approval to attend the 2nd part of the conference on divestment of fossil fuels, located in Boston, and would cost around \$300. Matt Dow moved to approve the request of Bob Hooper. Jeff Wick 2nd. Motion carries 7:0

Munir Kasti moved to adjourn, Daniel Gilligan 2nd. Motion carries 7:0. Meeting Adjourned 11:00am.